

City and County of San Francisco

Office of the Controller - City Services Auditor

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BOARD OF SUPERVISORS:

Shimmick Construction
Company, Inc./Homer J. Olsen,
Inc., a Joint Venture, Complied
With the City Requirement Not to
Use Any City Funds for Political
Activities

FINANCIAL AUDITS



September 7, 2004
03043





CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

September 7, 2004

Audit Number 03043

Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

President and Members:

The Office of the Controller (Controller) presents its report concerning the audit of Shimmick Construction Company, Inc./Homer J. Olsen, Inc., a Joint Venture (joint venture), and its compliance with the City and County of San Francisco (City) ordinance prohibiting the use of city funds for political activity. The San Francisco Administrative Code (Administrative Code), Chapter 12G, defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure. This audit was conducted to comply with the Administrative Code requirement for the Controller to annually audit at least ten persons or entities that enter into contracts, grant agreements, or loan agreements with the City to ensure compliance with the prohibition on the use of city funds for political activity. The joint venture had a \$216,275 contract with the San Francisco Public Utilities Commission (PUC) to repair pipelines, and this contract was subject to the prohibition of political activity.

The audit revealed that the joint venture did not use for political activity any of the \$216,275 of city funds that it received under the PUC contract.

Respectfully submitted,

Ed Harrington
Controller

INTRODUCTION

BACKGROUND

On November 5, 2002, the voters of the City and County of San Francisco (City) passed Proposition Q, which prohibits persons or organizations receiving contracts, grants, or loans from the City to use any funds appropriated by the City for political activity. The San Francisco Administrative Code (Administrative Code), Chapter 12G, codified this proposition, defining political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure. The chapter also requires that all contracts, grant agreements, and loan agreements incorporate the prohibition. According to the Office of the City Attorney, persons and organizations receiving contracts, grants, and loans are not subject to Chapter 12G unless the prohibition is incorporated in their agreements. According to a deputy city attorney, the agreements did not typically include the prohibition until after January 2003.

Section 12G.2 of the Administrative Code requires the Office of the Controller (Controller) to annually audit at least ten persons or entities that enter into contracts, grant agreements, or loan agreements with the City to ensure compliance with the prohibition on the use of city funds for political activity. We randomly selected for audit ten persons or entities receiving city funds from January 1, 2003, through June 30, 2003, through a contract, grant, or loan that contained the prohibition to use city funds for political activity.

Shimmick Construction Company, Inc./Homer J. Olsen, Inc., a Joint Venture (joint venture), is one of the organizations we selected for review. The joint venture had one contract with the City during the period under review that contained the prohibition to use city funds for political activity. The joint venture entered a contract with the Public Utilities Commission (PUC) to perform emergency repair of pipelines. The original contract amount was \$160,453, but the PUC increased the contract amount by \$55,822 to allow the joint venture to perform additional repairs, for a total of \$216,275. According to the joint venture's controller, the joint venture performed all contract work from April 2003 through July 2003. The PUC paid the joint venture the contract amount of \$216,275.



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SCOPE AND METHODOLOGY

The purpose of this audit was to determine if the joint venture inappropriately expended any city funds participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure.

To conduct the audit, we identified that the joint venture had one contract with the City from January 1, 2003, through June 30, 2003, that included the prohibition of using city funds for political activity. For this contract, we identified all payments that the City made to the joint venture, and reviewed expenses of the joint venture that it expended to earn these contract payments. We assessed the joint venture's procedures for recording expenditures and reviewed some of its accounts and its financial statements to verify it did not spend city funds for purposes related to political activity as defined by the City. We also inquired of the joint venture if it had made any expenditure that may be related to supporting political activity. We searched the San Francisco Campaign Finance Database and the State of California's Cal-Access, which reports campaign contributions, to find instances where the joint venture was reported as making political contributions.

AUDIT RESULTS

THE JOINT VENTURE DID NOT USE CITY FUNDS TO PAY FOR POLITICAL ACTIVITY EXPENSES

Shimmick Construction Company, Inc./Homer J. Olsen, Inc., a Joint Venture did not use any of the \$216,275 of city funds that it received to participate in, support, or attempt to influence a political campaign for any candidate or ballot measure. We did not find any evidence in its accounting records or financial reports for the contract indicating that the joint venture incurred any expenditure for political activity. Furthermore, the joint venture informed us that it did not make such expenditures. In addition, the city and state campaign contribution databases did not show that the joint venture made any political contributions during the period we reviewed.

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

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cc: Mayor
Board of Supervisors
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